



The role of technology in supporting tax teams during the Covid-19 crisis and beyond

▶▶ TAX REIMAGINED

▶ eAUDIT

▶▶ AUTOMATION

▶▶ DATA SHARING

▶▶ ELECTRONIC
AUDIT TRAIL

▶ REAL TIME REPORTING



The Covid-19 crisis has required tax teams to adapt like never before. For businesses, this has highlighted the importance of having quality data and robust systems to support the tax team. For some, it has also highlighted gaps in their tax operating models and the limitations in the governance and technology that support their tax team.

In this article, we explore the key operational and technology issues which should be considered by tax teams to manage the demands arising due to the Covid-19 pandemic and ensure that they are equipped to be effective and adaptable as businesses slowly recover.

Immediate Considerations

It is critical that the fundamental responsibilities of the tax team remain to the fore. While there will be pressure on the tax team to continue to add value to the wider business and feed into decision-making, it is vital that this is not at the expense of accurate and timely filing of returns or the management of cash balances.

Tax Deadlines

Tax teams should assess all tax filings due over the coming months and consider if the required people, processes and technology are in place in order to ensure that tax returns continue to be filed on-time and that companies are not exposed to interest, penalties and reputational damage due to late filings. Tax Leaders should also work with the wider business to ensure that the support and data (e.g. Finance and HR data) will be available in order to make tax filings on time. Any gaps or resource issues should be addressed now. Furthermore, effective tax rate (“ETR”) and cash tax projections for 2020 have become redundant in many cases as public and private companies withdraw and revisit projections. Ad-hoc and additional tax projections will be required for the remainder of 2020.

Some governments are granting extensions to 2020 payment and filing deadlines. This position is likely to continue to evolve over the coming months. It is important to consider the impact on resourcing. Is there enough capacity within the tax team to process, review

and file the tax returns due in the coming months? Will the process be slower and less efficient where the tax team is working from home? Can additional technology help? Will any deferrals simply result in a “crunch” period in the future with numerous deadlines arising at once? Who steps in if a tax team member is not available for health or family reasons?

Tax teams should also consider if existing collaborative, workflow or compliance technology can be leveraged further to make the 2020 compliance season more efficient. Often simple technology solutions can yield significant savings and efficiencies.

Cashflow

Cash is king in these testing times. 23% of KPMG’s Global Tax clients surveyed to-date reported liquidity as being the key issue for their tax team during the Covid-19 crisis. It is important for tax teams to partner with the wider business in relation to the overall cash-flow planning. Data and analytics (“D&A”) technology can assist with cashflow scenario analysis and modelling and can also help identify potential opportunities to claim statutory reliefs (e.g. capital allowances, R&D credits) for any open tax period. The tax team should also consider if the unprecedented Covid-19 crisis and the resultant changes to operating models and business plans require changes to the group’s VAT recovery rate or transfer pricing positions. D&A technology can accelerate the ability of the tax team to make decisions on these key issues. Covid-19 Reliefs.

Tax teams should ensure that all available reliefs are considered. For Irish tax teams, the introduction of the Temporary Wage Subsidy Scheme (“TWSS”) and the tax warehousing reliefs in Ireland are welcome developments. Around the world, governments are introducing similar reliefs. It is important that the tax team partner with their Finance and HR functions in order to ensure that the reliefs are claimed where available and that the data required to accurately claim the reliefs is available. Existing technologies and tools such as Alteryx and Excel may be used to extract the required data from enterprise resource planning (“ERP”) and HR systems and calculate what reliefs may be available.

Documentation

Many of the decisions taken at this time will be based on limited information and made in a short timeframe. It is critical that the underlying rationale for key decisions is clearly documented to ensure that future examinations from tax authorities can be efficiently managed. This will require a clear audit trail of the data and other supporting information used to make key decisions.

In addition, processes and the sources of data should be documented in sufficient detail to allow a new joiner to easily step into the shoes of existing team members in the future – total reliance on “key persons” should be avoided.

Medium-term Considerations

The second half of 2020 is set to be a challenging one on a number of fronts as the Covid-19 situation evolves. The economic landscape is likely to result in changes to existing business models whilst costs will need to be carefully managed. Many of the projects that were put on hold by tax teams will still need to be completed or re-started. There are also likely to be competing and new demands (e.g. business restructuring, revisiting TP models) on in-house tax teams.

Workflow Management

It is critical that tax teams take stock of what needs to be completed over the remainder of 2020 and into the new tax year. There must be a clear process to manage workflow. Furthermore, the regulatory and tax environment continues to evolve rapidly. For many, it will be necessary to put procedures and tools in place to deal with new regulations such as the EU Mandatory Disclosure regime and the ATAD interest limitation rules. More fundamental regulatory change (such as BEPS 2.0) continues to be considered at a global level. The workload for the second half of the year is likely to be greater than it would have been in previous years, while resourcing and budgets may be under pressure.

While some tax teams will have sophisticated workflow management tools to assist in the management of deadlines and flow of tax data through their business, a compliance calendar or a milestone dashboard would be a good start for many. Existing collaborative and document management technology (e.g. SharePoint) can also be rolled out quickly.

Business Partnering

The need for tax teams to interact with the wider business has never been more important. For many, the Covid-19 crisis will have presented a significant challenge in working effectively. The strength of these relationships can be a good indicator of the effectiveness or maturity of the tax team. Business plans and models will change, and tax teams will be required to provide information to facilitate real-time decision-making, as businesses embrace e-commerce and the digital agenda, restructure and streamline their business or seek new sources of capital. For many businesses, concepts such as data lakes are for the future. Right now, decision makers need practical insights from their tax team based on the available information.



Obtaining the data and information required to support compliance and decision making is a common challenge for tax teams. With tax authorities around the world now commonly using e-audit techniques to interrogate data or introducing enhanced data requirements such as real time reporting, it has never been more important for tax teams to trust the data they are receiving.

The relationships built and consolidated by the tax team during this time may provide a greater opportunity to have a say in the upstream processes that support tax activities within businesses with a view to creating operational efficiencies. Where the Covid-19 pandemic has highlighted flaws in the processes or the quality of tax data, the gradual return to the office may present an opportunity to address these issues.

Strategic Objectives

As businesses embrace the digital agenda and automate many of their finance processes, there has been increasing pressure on tax teams to do the same. For many tax teams, the Covid-19 crisis has highlighted the need to streamline processes and utilise technology in a new way. We have suggested some actions below that should be considered by tax teams as they look to build for the future. There will likely be many important learnings from the challenges arising due to Covid-19 and it will be important to use these learnings as a catalyst for transformative change.

Roadmap for Future Tax Team

In the week to 4th May 2020, 24% of KPMG's Global tax clients surveyed reported issues around the effectiveness of their operating model. Covid-19 has also highlighted significant gaps in how tax teams function and use technology. On a macro level, the global crisis is likely to result in a wave of new taxes to help finance for the health and economic aspects of Covid-19.

There is likely to be change across many businesses as they seek to improve operating processes, embrace new digital technology and automation, and transform their business to deal with the post-Covid world. The global crisis is likely to result in a wave of new taxes to help pay for the health and economic impacts of Covid – 19.

It is critical that Tax has a "seat at the table" when discussions around this transformation are happening. Too often operational decisions are made, which have a significant knock-on impact on tax teams, without the tax team having been involved in the design of those changes.

Now is a good time for businesses to consider the future of their tax team. The aim should be to automate many of the manual, time-consuming processes that are part of the current operating model, to allow the tax team to focus on value added activities and to spend more time helping the business with decision making. Where the long-term strategic objective for the tax team is set now, it is important to ensure that investment, resourcing and technology decisions over the medium term are consistent with these objectives.

Document and evaluate existing processes

The foundation for any process improvement is to conduct an in-depth review of what's currently happening. For tax teams, it is critical to understand upstream business processes that result in data being provided to support tax compliance, planning or reporting. This exercise may include interaction with IT, finance, HR, treasury and other business stakeholders involved in the preparation or provision of tax data and should

focus on the key operational risks and dependencies for the tax team. It is also important to understand the flow of tax data from preparers all the way through to C-suite executives. The limitations of solely relying on spreadsheets (often with significant manual intervention) have been highlighted by the crisis. This also provides an opportunity to apply methodologies such as Lean Six Sigma to challenge these processes with a view to creating operational efficiencies.

Assess How Technology may help

There is an ever-growing suite of products in the market which are gaining increased traction within tax teams. While most tax professionals will be familiar with many of the reporting tools that support domestic compliance, there has been a significant trend among global tax teams towards the use of dedicated global tax software applications, data analytics / visualisation and process automation tools. In the current environment, the business case for investing in these tools will need to be strong. However, in many cases, the efficiency gains can be clearly articulated.

In assessing available technology solutions, it is always important to consider existing systems. A number of these applications will be dependent on core finance systems and supporting business processes. In addition to deploying such tools, it is often the case that minor tweaks to master data or system logic can deliver big results in terms of data accuracy and time savings.

Consideration should also be given to the resource and training supports needed to ensure that new technology roll-outs within the tax team and wider business are successful. Cutting edge technology will not be transformative if the processes and culture of the tax team do not also evolve.

Governance

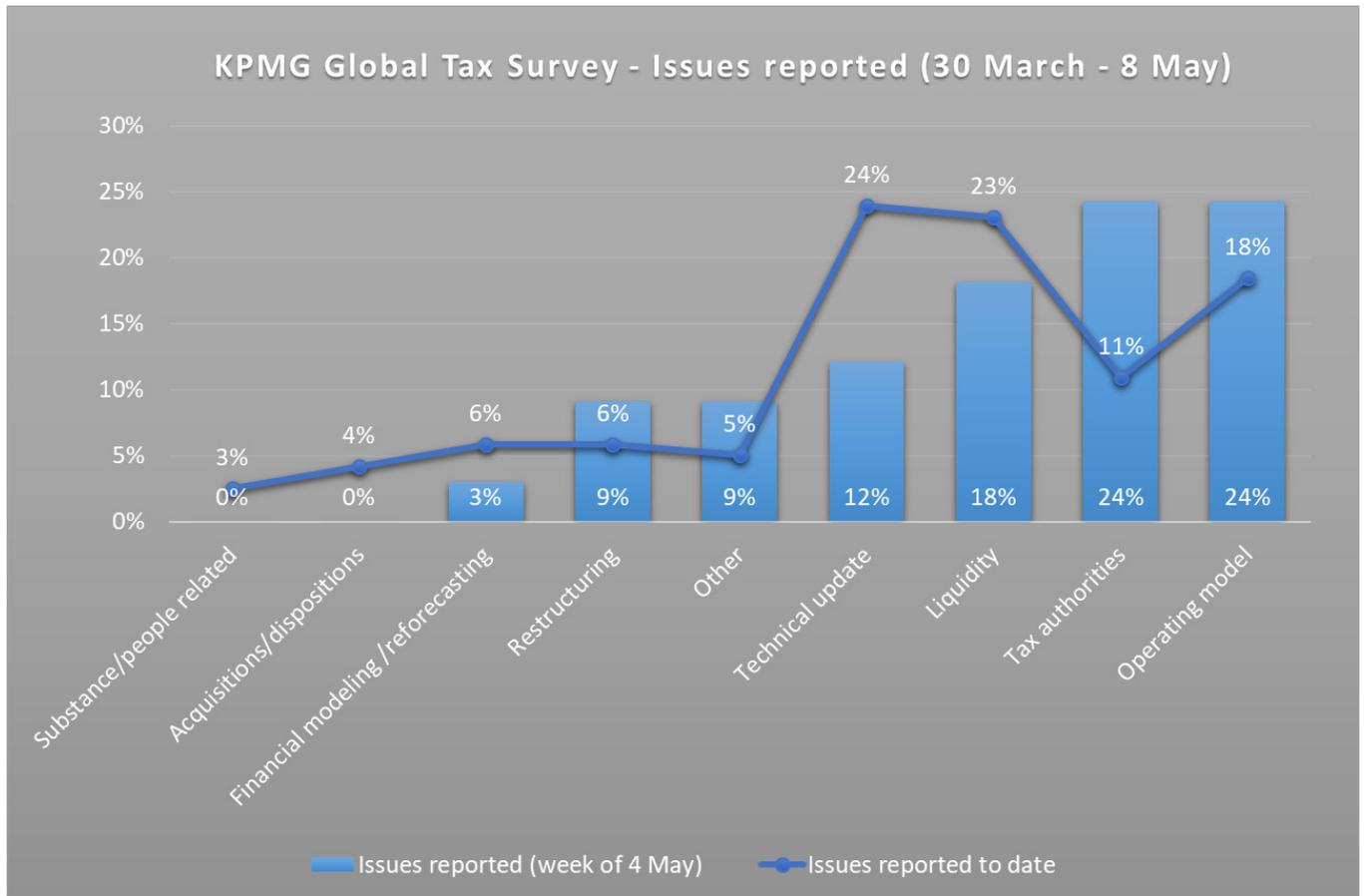
Strong governance structures should be in place to provide clarity to tax teams and other business stakeholders in relation to responsibilities with regard to tax and tax sensitised data. There should be a framework in place to clearly define responsibilities in relation to tax and the data and information provided to tax teams. A clear governance and control structure is critical to managing tax risk within a business.

The OECD model tax control framework refers to six key characteristics of a such a framework – it states that there should be a "tax strategy established", that is "comprehensively applied", with "responsibility assigned", "governance documented", "testing performed" and "assurance provided". Large tax teams should consider how evident these characteristics are in their operations. For smaller teams, a simple RACI (Responsible, Accountable, Consulted, Informed) matrix can be just as effective in providing the clarity required.



Summary of key considerations for tax teams

Tax Team Effectiveness - key considerations for tax teams	
Tax Deadlines	Are key deadlines documented and are there contingencies to address each step of the process (i.e. preparing, reviewing and filing)? How will I track deadlines as deferrals to filing deadlines are granted and changed? Who is the tax team dependent upon to meet its obligations?
Cashflow	What impact is tax cashflow having on the business? Can D&A tools in the tax team help preserve cash or claim reliefs?
Covid-19 Reliefs	What tax authority incentives are being availed of in the countries in which you operate? What data and tools are required to support the claims? Should a health check be performed of Covid-19 reliefs claimed to-date?
Documentation	Have all decisions made during the Covid-19 crisis been clearly documented? Is there a clear audit-trail of the data supporting recent decisions?
Workflow Management	Is technology being used to monitor deadlines and supporting activities? Can off-the shelf solutions be rolled out quickly?
Business Partnering	Does the tax team have a strong relationship with all key stakeholders across the business? Is Tax providing the information required to facilitate rapid decision-making? Is there enough confidence in the data provided by other business units and does it require significant manual intervention?
Roadmap for Future Tax Teams	Does the team have a clear picture of how it will operate over the next 5 years as the role of the tax team evolve? Is this consistent with the digital and wider strategy of the business? Is the tax team flexible and adaptable?
Document and challenge tax processes	Are all processes documented? Is there an understanding of the upstream processes that support Tax? Can these processes be automated or transformed? Should the existing processes be objectively challenged?
Assess how technology may help	What is your tax team's level of digital readiness? Are all technology tools available to the tax team being fully utilised?



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